

MTHONJANENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2012**

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 37, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 17 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



F A ELS
MUNICIPAL MANAGER

20-11-12

Date

MTHONJANENI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2012

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MTHONJANENI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Note	2012 R	2011 R
NET ASSETS AND LIABILITIES			
Net assets		142 565 485	107 568 485
Accumulated surplus		142 565 485	107 568 485
Non-current liabilities		2 496 426	1 974 667
Retirement benefits	2	2 496 426	1 974 667
Current liabilities		19 520 391	6 879 698
Consumer deposits	3	799 220	490 341
Trade and other payables from exchange transactions	4	2 553 834	1 708 626
Current provisions	5	1 317 719	413 340
Unspent conditional grants and receipts	6	14 849 618	4 267 391
Non Current Liabilities held for sale	36	72 436	-
Total Net Assets and Liabilities		164 654 738	116 422 850
ASSETS			
Non-current assets		97 109 972	75 946 377
Property, plant and equipment	7.1	94 493 836	73 303 973
Intangible assets	7.2	67 934	52 778
Investment Properties	7.3	2 548 202	2 589 626
Current assets		67 258 602	40 476 473
Inventories	8	251 806	274 477
Trade and other receivables from exchange transactions	9.1	1 572 295	1 301 462
Other receivables from non-exchange transactions	9.2	4 331 577	4 190 386
Current investments	10	45 040 000	30 040 000
Cash and Cash Equivalents	11	16 062 924	4 670 148
Non current assets held for sale	36	286 164	-
Total Assets		164 654 738	116 422 850

MTHONJANENI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012

CONTINUING OPERATIONS	Note	2012	2011
REVENUE		R	R
Property rates	12	6 105 979	5 695 301
Property rates - penalties imposed and collection charges		544 680	495 113
Service charges	13	14 412 831	12 000 170
Rental of facilities and equipment		457 265	393 960
Interest earned		2 762 931	2 340 828
Traffic fines		1 581 532	18 690
Licences and permits		2 773 694	2 587 305
Provision for Bad Debt	34	1 530 293	-
Government grants and subsidies	14	49 698 413	37 104 580
Other income	20	1 056 986	788 416
Total Revenue		80 924 604	61 424 363
EXPENDITURE			
Employee related costs	16	13 945 426	12 984 364
Remuneration of councillors	17	2 550 819	2 346 050
Collection costs		50 899	8 347
Provision for Bad Debt	34	-	1 794 940
Depreciation	7.1;7.2 & 7.3	2 553 362	2 954 396
Repairs and maintenance		1 741 464	1 623 881
Bulk purchases	18	11 944 444	8 863 079
Contracted services		765 694	658 374
General expenses	19	11 245 896	9 377 128
Adjustments to leave pay provisions	34	124 530	236 731
Adjustments to landfill site rehabilitation provisions	34	931 920	-
Total Expenditure		45 854 454	40 847 290
SURPLUS FOR THE YEAR FROM CONTINUED OPERATIONS		35 070 150	20 577 073
DISCONTINUED OPERATIONS			
DEFICIT FOR YEAR	36	(73 150)	(156 519)
TOTAL SURPLUS FOR THE YEAR		34 997 000	20 420 554

MTHONJANENI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2012

	<u>Accumulated Surplus</u> R	<u>Total</u> R
Balance at 30 June 2011	107 568 485	107 568 485
2011/2012		
Surplus for the year	34 997 000	34 997 000
Balance at 30 June 2012	142 565 485	142 565 485
Balance at 30 June 2010	87 189 355	87 189 355
2010/2011		
Surplus for the year	20 379 130	20 379 130
Balance at 30 June 2011	107 568 485	107 568 485

MTHONJANENI MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government grants and other		77,879,665	53,033,152
Cash paid to suppliers and employees		<u>31,680,199</u>	<u>39,877,808</u>
Cash generated from operations	24	46,199,466	13,155,344
Interest received		2,762,931	2,340,828
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>48,962,397</u>	<u>15,496,172</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7.1; 7.2 & 7.3	(25,071,482)	(19,863,515)
Proceeds sale of Assets		2,192,982	278,874
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(22,878,500)</u>	<u>(19,584,641)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/ (Decrease) in consumer deposits	3	308,879	(52,064)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>308,879</u>	<u>(52,064)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		26,392,776	(4,140,533)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		34,710,148	38,850,681
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	<u>61,102,924</u>	<u>34,710,148</u>

Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below :

1 BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results and the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

1.1.1 Provisions

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions are included in note 35 Financial Instruments.

1.1.2 Useful lives of property, plant and equipment

As disclosed in accounting policies 1.5 the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values are based on industry knowledge and reviewed annually.

1.1.3 Defined benefit plan liabilities

As described in accounting policy 1.12, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement health benefit obligations and long service awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 2.1 and 2.2 to the financial statements.

1.1.4 Revenue recognition

Accounting policy 1.9.1 on revenue from exchange transactions and Accounting policy 1.9.2 on revenue from non-exchange transactions describes the conditions under which revenue is recorded by the management of the municipality. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.1.5 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on managements educated judgement.

1.1.6 Changes in accounting policies

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy. In such cases, the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period which retrospective restatements is practicable.

1.2 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

- GRAP 18 Segment Reporting - issued March 2005

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

A summary of the significant accounting policies, which have been consistently applied are disclosed below in notes 1.3 to 1.18.

1.3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rands.

1.4 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost or fair value less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial delivery, handling, installation and professional fees. Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Items of property, plant and equipment which are acquired for no cost or for a nominal cost are recognised at their fair values.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The cost or fair value of property, plant and equipment is depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to Council.

The annual depreciation rates are based on the following estimated asset lives:-

Details	Years	Details	Years
Infrastructure		Other	
Biological assets	15-30	Machinery & equipment	4-15
Cemeteries	15-20	Non-residential buildings	15-30
Computer equipment	5	Roads	10-50
Dwellings	30	Waste disposal	50
Electricity infrastructure	5-50	Transport assets	7-10
Furniture & office equipment	5-10	Water assets	50

The estimated useful lives and residual values of property, plant and equipment are periodically reviewed and adjusted where necessary.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.6 LEASES

Payments made under lease agreements are expensed and charged to the Statement of Financial Performance on a straight line basis over the period of the lease. These agreements do not transfer risk and rewards associated with ownership of an asset to the Municipality.

1.7 INVENTORIES

Inventories comprising consumable stores, raw materials, finished goods and housing are valued at the lower of average cost, determined on the first in first out method, and net realisable value. Where inventories are held for distribution or consumption in the production process of goods at no charge or for a nominal charge, they shall be measured at the lower of cost and current replacement costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 FINANCIAL INSTRUMENTS

Financial instruments are initially measured at fair value. The subsequent measurement of financial instruments is dealt with below.

1.8.1 INVESTMENTS

Financial instruments, which comprise fixed deposits and short-term deposits invested in registered commercial banks are stated in the annual financial statements at the lower of cost or fair value. No impairments are required as the cost values equate to their cash values.

1.8.2 CONSUMER AND OTHER RECEIVABLES

Consumer and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Bad debts are written off during the year in which they are identified.

An impairment or bad debt loss is recognised when it is probable that the Municipality will not be able to collect all amounts due (principal and interest) according to the contractual terms of the accounts receivable. The assessment of objective indicators of impairment for accounts receivable is carried out at each balance sheet date.

1.8.3 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.8.4 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discounts or premiums on settlement. Gains and losses are recognised in net income or loss when liabilities are impaired as well as through the amortisation process.

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 days, accordingly impairments, if any, are considered to be immaterial.

1.9 REVENUE RECOGNITION

1.9.1 Revenue from Exchange Transactions

Service charges relating to electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods when meter readings have not been able to be made. The revenue from provisional estimates of consumption is recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised in the period in which cash is received.

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered and the fee has been charged or licences and permits have been issued.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

1.9.2 Revenue from non-exchange transactions

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.10 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

1.11 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

1.12 RETIREMENT BENEFITS

The Municipality operates various pension schemes. These schemes are funded through trustee administered funds. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions.

Contributions are recognised as an expense in the Statement of Financial Performance in the year in which they become payable.

The liability recognised in the statement of financial position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable.

1.13 DEPOSITS

Deposits received from consumers are based on a set tariff for conventional electricity meters. The deposit for domestic and business customers using conventional electricity meters may be increased based on consumption. In the event of a disconnection of service for non payment, the value of the deposit is reviewed and adjusted in terms of the Council's consumer deposits policy. No interest is paid on deposits held.

1.14 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearer's Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 INTANGIBLE ASSETS

1.17.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.17.2 Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software 10 years

The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.17.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18 INVESTMENT PROPERTY

1.18.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

1.18.2 Subsequent measurement - Cost less accumulated depreciation

Investment property is measured using the cost less accumulated depreciation model. After recognition as an asset, an item of investment properties shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

	2012 R	2011 R
2. RETIREMENT BENEFITS		
2.1. Post-employment medical benefits		
The municipality operates on an accredited medical aid scheme, namely KeyHealth Medical Scheme.		
Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, Alexander Forbes Health (Pty) Ltd, carried out a actuarial valuation as at 30 June 2012.		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	7.75%	8.75%
Health care cost inflation rate	7.00%	7.75%
Benchmark inflation (equal to salary inflation)	6.00%	6.75%
Average retirement age	65	65
Proportion of retired members who are married	0.00%	0.00%
Active members	10	8
Mortality during employment	SA 85- 90 light ultimate	SA 85- 90 ultimate
Mortality post-retirement	PA 90 ultimate	PA 90 ultimate
(No explicit assumption was made about additional mortality or health care costs due to AIDS.)		
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:	<u>1 740 851</u>	<u>1 181 667</u>
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	1 181 667	537,738
Current service cost	97 493	-
Interest cost	103 396	47 809
Benefit payments	(17 031)	(39 605)
Actuarial (gains)/losses	375 326	635 725
Recognition of previously unrecognised defined benefit liability	-	-
Balance at end of year	<u>1 740 851</u>	<u>1,181,667</u>
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	97,493	-
Interest cost	103,396	47,809
Benefit payments	(17,031)	(39,605)
Actuarial (gains)/losses	375,326	635,725
Total, included in employee benefits expense (Note 16)	<u>559 184</u>	<u>643,929</u>

2012
R

2011
R

2. RETIREMENT BENEFITS (Continued)

2.2. Long service awards liability

The municipality has an obligation with respect to their employees in recognition of long periods of service.

Employees receive additional leave in respect of long service awards. The independent valuers, Alexander Forbes Financial Services (Pty) Ltd, carried out a actuarial valuation as at 30 June 2012.

The principal actuarial assumptions used were as follows:

Discount rate per annum	7.75%	8.75%
Inflation Rate	5.00%	7.75%
Salary Increase Rate	6.00%	6.75%
Benchmark inflation (equal to salary inflation)	0.00%	0.00%
Average retirement age	65	65
Average future working lifetime of active members	16.85 years	15.85 years
Active members	85	88
Pre-retirement mortality rate (No explicit assumption was made about additional mortality or health care costs due to AIDS.)	SA 85 - 90 Lite	SA 85 - 90 Ultimate

Percentage of in-service members withdrawing before retirement:

Age 20-24	15%	15%
Age 25-29	10%	10%
Age 30-34	7%	7%
Age 35-39	4%	4%
Age 40+	2%	2%

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

781 606	793 000
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Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	793 000	686 000
Current service cost	119 000	114 000
Interest cost	79 000	74 000
Benefit payments	(60 337)	-
Actuarial (gains)/losses	(149 057)	(81 000)
Recognition of previously unrecognised defined benefit liability	-	-
Balance at end of year	781 606	793 000

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	119 000	114 000
Interest cost	79 000	74 000
Actuarial (gains)/losses	(149 057)	(81 000)
Total, included in employee benefits expense (Note 16)	48 943	107 000

2012
R

2011
R

RETIREMENT BENEFITS (Continued)

2.3. Other retirement benefit obligations

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds (NJMPF). Employees of Mthonjaneni Municipality made up less than 1% of the total members of the NJMPF. Mthonjaneni's liability in these funds could not be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for each fund and not for each employer.

The latest interim valuation of the NJMP Retirement Fund (defined benefit) as at 31 March 2012 revealed that the fund was in a sound financial position.

The latest interim valuation of the NJMP Provident Fund (defined contribution) as at 31 March 2012 revealed that the fund was in a sound financial position.

The latest interim valuation of the NJMP Superannuation Fund (defined benefit) as at 31 March 2012 revealed that the fund was in a sound financial position.

Council also contributes to the Municipal Councillors Pension Fund (defined contribution). Mthonjaneni's liability in this fund could not be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for the fund and not for each employer.

An agreement with the Kwa-Zulu Natal Department of Health has been entered into in which four staff members employed to render health services have been transferred from the municipality to the Department with effect from 1 August 2012.

Total retirement benefits	2 522 457	1 974 667
less: Transfer to Non Current Liabilities held for sale	26 031	-
Total retirement benefits	2 496 426	1 974 667

3. CONSUMER DEPOSITS

Electricity	493 770	377 641
Other	305 450	112 700
	799 220	490 341

4. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	1 689 304	1 351 594
Debtors prepayments	250 242	123 691
Other creditors	660 693	233 341
Total Creditors	2 600 239	1 708 626
less: Transfer to Non Current Liabilities held for sale	46 405	-
Total Creditors	2 553 834	1 708 626

5. CURRENT PROVISIONS

Leave pay	385 799	413 340
Landfill site rehabilitation	931 920	-
	1 317 719	413 340

The provision created for the rehabilitation of the landfill site is based on Aurecon South Africa (Pty) Ltd assessment of the rehabilitation costs of Melmoth dumpsite.

The provision is calculated in line with the consultants assessment as determined by discounting the present value of the estimate as at 22 October 2012. Council intends commencing spending against this provision within 1 year.

	2012 R	2011 R
6. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
EQUITABLE SHARE	-	-
FMG	-	15 334
MSIG	-	130 227
MIG	-	1 665 560
ELECTRIFICATION	10 694 928	1 514 292
SMALL TOWN REHABILITATION	-	-
DISCB	-	258 409
MARKET STALLS	3 998 931	-
MAP	-	50 979
MIP	-	26 217
REDS	-	11 686
ALOE PRODUCTION	-	35 339
LIBRARY	42 693	38 008
SPORT	63 664	481 514
CAPACITY	49 402	39 626
CLINIC	-	-
Total unspent conditional grants and receipts	14 849 618	4 267 391

See Note 15 for reconciliation of grants from all spheres of government. These amounts are invested until utilized.

7.1 PROPERTY, PLANT & EQUIPMENT

30 June 2012

Reconciliation of Carrying Value	LAND R	BUILDINGS	INFRASTRUCTURE	BIOLOGICAL OR CULTIVATED ASSETS	HERITAGE ASSETS R	OTHER	ASSETS UNDER CONSTRUCTION	TOTAL R
Carrying Values at 01 July 2010	3 574 272	17 516 379	15 810 890	5 136 310	589	3 511 003	26 754 530	73 303 873
Cost	3 574 272	22 555 320	20 827 443	5 136 310	589	8 915 095	26 754 530	87 763 559
Accumulated depreciation	-	(5 038 941)	(4 016 553)	-	-	(5 404 092)	-	(14 459 586)
Acquisitions	64 943	-	553 866	-	-	1 316 309	23 111 782	25 046 900
Transfers out of Assets under construction	-	3 358 182	6 802 734	-	-	53 314	(10 214 230)	-
Depreciation	-	(863 337)	(735 357)	-	-	(906 220)	-	(2 504 914)
Carrying Value of disposals	(1 300 000)	-	-	-	-	-	-	(1 300 000)
Cost	(1 300 000)	-	-	-	-	-	-	(1 300 000)
Accumulated depreciation	-	-	-	-	-	-	-	-
Transfer to non Current Assets held for sale	-	-	-	-	-	(52 123)	-	(52 123)
Cost	-	-	-	-	-	(165 563)	-	(165 563)
Accumulated depreciation	-	-	-	-	-	113 746	-	113 746
Carrying Values at 30 June 2012	2 339 215	20 811 224	23 437 133	5 136 310	589	3 922 283	39 652 082	94 493 836
Cost	2 339 215	25 913 502	28 184 043	5 136 310	589	10 118 849	39 652 082	111 344 500
Accumulated depreciation	-	(5 902 278)	(4 751 910)	-	-	(6 196 566)	-	(16 850 754)

30 June 2011

Reconciliation of Carrying Value	LAND R	BUILDINGS	INFRASTRUCTURE	BIOLOGICAL OR CULTIVATED ASSETS	HERITAGE ASSETS R	OTHER	ASSETS UNDER CONSTRUCTION	TOTAL R
Carrying Values at 1 July 2010	3 694 272	18 277 918	9 209 571	5 136 310	589	4 747 350	15 777 243	56 843 353
Cost	3 694 272	22 555 715	12 808 043	5 136 310	589	8 454 942	15 777 243	71 195 551
Accumulated depreciation	-	(4 277 797)	(3 598 372)	-	-	(3 707 492)	-	(11 721 148)
Acquisitions	-	167 160	710 976	-	-	646 553	18 285 711	19 810 400
Transfers	-	-	7 308 424	-	-	-	(7 308 424)	-
Depreciation	-	(766 922)	(418 181)	-	-	(1 766 286)	-	(2 951 389)
Carrying Value of disposals	(120 000)	(161 777)	-	-	-	(116 614)	-	(388 391)
Cost	(120 000)	(167 555)	-	-	-	(186 300)	-	(473 855)
Accumulated depreciation	-	5 778	-	-	-	69 695	-	75 484
Carrying Values at 30 June 2011	3 574 272	17 516 379	16 810 890	5 136 310	589	3 511 003	26 754 530	73 303 873
Cost	3 574 272	22 555 320	20 827 443	5 136 310	589	8 915 095	26 754 530	88 711 269
Accumulated depreciation	-	(5 038 941)	(4 016 553)	-	-	(5 404 092)	-	(14 459 586)

MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

7.2 INTANGIBLE ASSETS

30 June 2012

	Software	Total
Carrying values as at 1 July 2011	52 778	52 778
Cost	56 145	56 145
Accumulated Amortisation	(3 367)	(3 367)
Transfer to non Current Assets held for sale	(2 402)	(2 402)
Cost	(2 671)	(2 671)
Accumulated Amortisation	269	269
Additions	24 582	24 582
Amortisation	(7 024)	(7 024)
Carrying value closing balance as at 30 June 2012	67 934	67 934
Cost	78 056	78 056
Accumulated Amortisation	(10 122)	(10 122)

30 June 2011

	Software	Total
Carrying values as at 1 July 2010	2 670	2 670
Cost	3 030	3 030
Accumulated Amortisation	(360)	(360)
Write-off of intangible assets	-	-
Cost	-	-
Accumulated Amortisation	-	-
Additions	53 115	53 115
Amortisation	(3 007)	(3 007)
Carrying value closing balance as at 30 June 2011	52 778	52 778
Cost	56 145	56 145
Accumulated Amortisation	(3 367)	(3 367)

MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

7.3 INVESTMENT PROPERTY

30 June 2012

	Property	Total
Carrying values as at 1 July 2011	2 589 626	2 589 626
Cost	2 768 537	2 768 537
Accumulated Amortisation	(178 911)	(178 911)
Additions	-	-
Amortisation	(41 424)	(41 424)
Carrying value closing balance as at 30 June 2012	2 548 202	2 548 202
Cost	2 768 537	2 768 537
Accumulated Amortisation	(220 335)	(220 335)

30 June 2011

	Software	Total
Carrying values as at 1 July 2010	2 631 050	2 631 050
Cost	2 768 537	2 768 537
Accumulated Amortisation	(137 487)	(137 487)
Additions	-	-
Amortisation	(41 424)	(41 424)
Carrying value closing balance as at 30 June 2011	2 589 626	2 589 626
Cost	2 768 537	2 768 537
Accumulated Amortisation	(178 911)	(178 911)

MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
8. INVENTORIES		
Consumable stores	251 806	274 477
Total Inventories	<u>251 806</u>	<u>274 477</u>
Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority.		
9.1 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Rates	-	-
Electricity & Refuse	2 044 944	1 693 272
Total service debtors	<u>2 044 944</u>	<u>1 693 272</u>
Less provision for bad debts	(472 649)	(391 810)
Total	<u>1 572 295</u>	<u>1 301 462</u>
<u>Rates : Ageing</u>		
Current (0 – 30 days)	3 890	100
31 - 60 Days	2 490	10 071
61 - 90 Days	122 670	217 570
91 - 120 Days	114 927	205 384
Greater than 120 days	2 240 681	3 784 583
Total	<u>2 484 658</u>	<u>4 217 708</u>
<u>Electricity/Refuse : Ageing</u>		
Current (0 – 30 days)	1 228 164	969 619
31 - 60 Days	324 470	307 405
61 - 90 Days	19 661	24 438
91 - 120 Days	14 986	12 970
Greater than 120 days	457 663	378 840
Total	<u>2 044 944</u>	<u>1 693 272</u>
9.2 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	2,484,658	4,217,708
Less provision for bad debts	(205,578)	(1,816,710)
	<u>2 279 080</u>	<u>2 400 998</u>
Value added Tax	1 488 934	921 615
Accrued Interest	563,563	651,545
Clinic Claims and other	231,639	216,228
	<u>4,563,216</u>	<u>4,190,386</u>
less: Transfer to Non Current Assets held for sale	(231,639)	
	<u>4,331,577</u>	<u>4,190,386</u>
VAT is payable on the accrual basis.		

MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
10. CURRENT INVESTMENTS		
Fixed deposits & Call Accounts	45 040 000	30 040 000
	<u>45 040 000</u>	<u>30 040 000</u>
<u>ACCOUNT DESCRIPTION - Investments (MFMA requirement)</u>		
Investment Current Account <i>Absa Bank Limited - La Lucia Branch</i> <i>Account Number 2069682263 : Fixed Deposit</i>		
Bank statement balance at the beginning of the year	-	10 000 000
Bank statement balance at the end of the year	-	-
Investment Current Account <i>Absa Bank Limited - La Lucia Branch</i> <i>Account Number 2070905018 : Fixed Deposit</i>		
Bank statement balance at the beginning of the year	9 000 000	-
Bank statement balance at the end of the year	<u>9 000 000</u>	<u>9 000 000</u>
Investment Current Account <i>First National Bank Limited - Melmoth Branch</i> <i>Account Number 62051262146 : Call Account</i>		
Bank statement balance at the beginning of the year	500 000	500 000
Bank statement balance at the end of the year	<u>500 000</u>	<u>500 000</u>
Investment Current Account <i>First National Bank Limited - Melmoth Branch</i> <i>Account Number 74313129386 : Fixed Deposit</i>		
Bank statement balance at the beginning of the year	9 000 000	-
Bank statement balance at the end of the year	-	<u>9 000 000</u>
Investment Current Account <i>First National Bank Limited - Melmoth Branch</i> <i>Account Number 71245040078 : Fixed Deposit Account</i>		
Bank statement balance at the beginning of the year	1 540 000	1 540 000
Bank statement balance at the end of the year	<u>1 540 000</u>	<u>1 540 000</u>
Investment Current Account <i>Nedbank Bank Limited - Richards Bay Branch</i> <i>Account Number 03/7881083174 : Fixed Deposit Account</i>		
Bank statement balance at the beginning of the year	10 000 000	-
Bank statement balance at the end of the year	<u>25 000 000</u>	<u>10 000 000</u>
Investment Current Account <i>Investec Private Bank - Durban Branch</i> <i>Account Number 1100435097 : Fixed Deposit Account</i>		
Bank statement balance at the beginning of the year	-	18 000 000
Bank statement balance at the end of the year	<u>9 000 000</u>	-
TOTAL CURRENT INVESTMENTS	<u>45 040 000</u>	<u>30 040 000</u>
11. CASH AND CASH EQUIVALENTS		

MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
The Municipality has the following main bank accounts:		
<u>ACCOUNT DESCRIPTION</u>		
Primary Bank Account		
<i>First National Bank Account - Melmoth Branch</i>		
<i>Account Number 54980006117 : Cheque Account</i>		
Cash book balance at the beginning of the year	4 669 427	8 809 960
Cash book balance at the end of the year	<u>16 062 203</u>	<u>4 669 427</u>
Bank statement balance at the beginning of the year	5 227 887	9 600 599
Bank statement balance at the end of the year	<u>16 198 592</u>	<u>5 227 887</u>
Secondary Bank Account		
<i>First National Bank Account - Melmoth Branch</i>		
<i>Account Number 62330092470 : Cheque Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	-	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>7 230</u>	-
Petty cash and cash on hand	721	721
TOTAL CASH AND CASH EQUIVALENTS	<u>16 062 924</u>	<u>4 670 148</u>

MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
12. PROPERTY RATES		
<u>Property Valuations</u>		
	Valuation date July 2011	Valuation date July 2010
Residential	190 697 100	126 026 800
Commercial	103 541 800	95 125 600
State	96 939 400	77 760 900
Municipal	9 719 800	14 724 000
Agriculture properties used for agricultural purposes	259 423 900	103 094 600
Other Properties	5 969 200	10 515 500
Public Service Infrastructure	1 114 583 300	1 066 218 300
Total Property Valuations	1 780 874 500	1 493 465 700
The last general valuation came into effect on:	2010/07/01	2010/07/01
Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2007		
Interim valuations are processed on an annual basis to take into account changes in individual land values due to consolidations and subdivisions		
Assessment rates: Cents in the rand on market valuation as follows:		
All property other than agricultural properties and PSI	1.2c/R	1.643c/R
Agricultural properties and Public Service Infrastructure	0.3c/R	0.4107c/R
Rates Levied	9 218 370	9 948 795
Rebates:		
Residential	(463 531)	(305 105)
Commercial	(253 610)	(540 672)
State	(175 916)	(219 636)
Municipal	(116 638)	(241 915)
Agriculture properties used for agricultural purposes	(43 805)	-
Other Properties	(444 640)	(142 914)
Public Service Infrastructure	(1 588 488)	(2 846 803)
Supplementary Valuation Roll		
Rates	7 809	60 929
Rebates	(33 572)	(17 378)
Total	6 105 979	5 695 301
Per statement of financial performance :		
- Income	9 226 179	10 009 724
- Expenditure	(3 120 200)	(4 314 423)
	6 105 979	5 695 301

Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2012 financial year:
On a monthly basis, and the final dates of payment being the last working day of the month from August to May.
Rebates in terms of the above act were also implemented
Interest is levied at 18% per annum on outstanding rates.

**MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
13. SERVICE CHARGES		
Sale of electricity	13 469 289	11 022 743
Refuse removal	943 542	977 427
Total Service Charges	14 412 831	12 000 170
14. GOVERNMENT GRANTS AND SUBSIDIES		
EQUITABLE SHARE	22 096 000	18 192 808
FMG	1 465 334	1 752 906
MSIG	920 227	1 231 543
MIG	12 426 560	8 680 048
ELECTRIFICATION	1 619 364	6 356 292
MARKET STALLS	1 069	-
SMALL TOWN REHABILITATION	10 000 000	-
LUMS	-	70 998
MDPCB	-	111 522
DISCB	258 409	39 748
MAP	50 979	197 215
MIIP	26 217	-
REDS	11 886	5 415
ALOE PRODUCTION	35 339	-
LIBRARY	329 455	93 298
SPORT	417 850	198 164
CAPACITY	39 724	174 623
CLINIC	882 452	882 994
Total Government Grant and Subsidies	50 580 865	37 987 574
less: Transferred to discontinued operations	(882 452)	(882 994)
Total Government Grant and Subsidies	49 698 413	37 104 580

MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
15. RECONCILIATION OF GOVERNMENT GRANTS AND SUBSIDIES		
15.1 EQUITABLE SHARE		
Balance unspent at beginning of year	-	-
Current year receipts	22 096 000	18 192 808
Conditions met – transferred to revenue	(22 096 000)	(18 192 808)
Conditions still to be met	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. This represents National Government's contribution to Council's operational costs. No funds were withheld.		
15.2 FMG		
Balance unspent at beginning of year	15 334	568 240
Current year receipts	1 450 000	1 200 000
Conditions met - transferred to revenue	(1 465 334)	(1 752 906)
Conditions still to be met-transferred to liabilities (see note 5)	-	15 334
This grant is used to fund the costs of the financial interns together with the training and capacity building of financial staff, and internal audit. No funds were withheld.		
15.3 MSIG		
Balance unspent at beginning of year	130 227	611 770
Current year receipts	790 000	750 000
Conditions met - transferred to revenue	(920 227)	(1 231 543)
Conditions still to be met-transferred to liabilities (see note 5)	-	130 227
This grant was used to fund the improvement of financial systems, the valuation roll, and also community communications. No funds were withheld.		
15.4 MIG		
Balance unspent at beginning of year	1 665 560	1 681 608
Current year receipts	10 761 000	8 664 000
Conditions met - transferred to revenue	(12 426 560)	(8 680 048)
Conditions still to be met-transferred to liabilities (see note 5)	-	1 665 560
This grant is used to fund capital infrastructure expenditure primarily related to road works. No funds were withheld.		
15.5 ELECTRIFICATION		
Balance unspent at beginning of year	1 514 292	7 870 584
Current year receipts	10 800 000	-
Conditions met - transferred to revenue	(1 619 364)	(6 356 292)
Conditions still to be met-transferred to liabilities (see note 5)	10 694 928	1 514 292

**MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
<hr/>		
This grant was used to fund the Nomponjwana, Mfanifile and Yanguye electrification project. No funds were withheld.		
15.6 SMALL TOWN REHABILITATION		
Balance unspent at beginning of year	-	-
Current year receipts	10,000,000	-
Conditions met - transferred to revenue	(10,000,000)	-
Conditions still to be met-transferred to liabilities (see note 7)	<u>-</u>	<u>-</u>
This grant is for the small town rehabilitation projects consisting of CBD roads and sidewalks, taxi transfer station and market stalls and stormwater. No funds were withheld.		
15.7 LUMS		
Balance unspent at beginning of year	-	70 998
Current year receipts	-	-
Conditions met - transferred to revenue	-	(70 998)
Conditions still to be met-transferred to liabilities (see note 5)	<u>-</u>	<u>-</u>
This grant is used for the Land Use Management System project. No funds were withheld.		
15.8 MDPCB		
Balance unspent at beginning of year	-	111 522
Current year receipts	-	-
Conditions met - transferred to revenue	-	(111 522)
Conditions still to be met-transferred to liabilities (see note 5)	<u>-</u>	<u>-</u>
This grant is used to fund the Planning Shared service. No funds were withheld.		

MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
15. RECONCILIATION OF GOVERNMENT GRANTS AND SUBSIDIES		
(Continued)		
15.9 DISCB		
Balance unspent at beginning of year	258 409	298 157
Current year receipts	-	-
Conditions met - transferred to revenue	(258 409)	(39 748)
Conditions still to be met-transferred to liabilities (see note 5)	<u>-</u>	<u>258 409</u>
This grant is used to fund the Planning Shared Service. No funds were withheld.		
15.10 MARKET STALLS		
Balance unspent at beginning of year	-	-
Current year receipts	4 000 000	-
Conditions met - transferred to revenue	(1 069)	-
Conditions still to be met-transferred to liabilities (see note 5)	<u>3 998 931</u>	<u>-</u>
This grant is used for the rehabilitation and upgrading of the market stalls in Ndundulu and Melmoth. No funds were withheld.		
15.11 MAP		
Balance unspent at beginning of year	50 979	248 194
Current year receipts	-	-
Conditions met - transferred to revenue	(50 979)	(197 215)
Conditions still to be met-transferred to liabilities (see note 5)	<u>-</u>	<u>50 979</u>
The funding from this grant was used for various projects including the promulgation of bylaws, the performance management system and also for the upgrading of IT systems. No funds were withheld.		
15.12 MIIP		
Balance unspent at beginning of year	26 217	26 217
Current year receipts	-	-
Conditions met - transferred to revenue	(26 217)	-
Conditions still to be met-transferred to liabilities (see note 5)	<u>-</u>	<u>26 217</u>
This grant is used to fund the Municipal Infrastructure Investment Plan project. No funds were withheld.		
15.13 REDS		
Balance unspent at beginning of year	11 886	17 301
Current year receipts	-	-
Conditions met - transferred to revenue	(11 886)	(5 415)
Conditions still to be met-transferred to liabilities (see note 5)	<u>-</u>	<u>11 886</u>
This grant is being used to fund asset management processes with respect to electricity assets and infrastructure owned by the Council. No funds were withheld.		

	2012 R	2011 R
15. RECONCILIATION OF GOVERNMENT GRANTS AND SUBSIDIES		
(Continued)		
15.14 ALOE PRODUCTION		
Balance unspent at beginning of year	35 339	35 339
Current year receipts	-	-
Conditions met - transferred to revenue	(35 339)	-
Conditions still to be met-transferred to liabilities (see note 5)	<u>-</u>	<u>35 339</u>
This grant is used to fund research and investigations into Aloe production. No funds were withheld.		
15.15 LIBRARY		
Balance unspent at beginning of year	38 008	35 306
Current year receipts	334 140	96 000
Conditions met - transferred to revenue	(329 455)	(93 298)
Conditions still to be met-transferred to liabilities (see note 5)	<u>42 693</u>	<u>38 008</u>
This grant is used to fund salaries for cybercadet staff at the community library and provincialisation. No funds were withheld.		
15.16 SPORT		
Balance unspent at beginning of year	481 514	679 678
Current year receipts	-	-
Conditions met - transferred to revenue	(417 850)	(198 164)
Conditions still to be met-transferred to liabilities (see note 5)	<u>63 664</u>	<u>481 514</u>
This grant is being used to fund the building of a regional sports field. No funds were withheld.		
15.17 CAPACITY		
Balance unspent at beginning of year	39 626	214 249
Current year receipts	49 500	-
Conditions met - transferred to revenue	(39 724)	(174 623)
Conditions still to be met-transferred to liabilities (see note 5)	<u>49 402</u>	<u>39 626</u>
This grant is being used to fund the Performance Management System and the capacity building of staff members. No funds were withheld.		
15.18 CLINIC		
Balance unspent at beginning of year	-	-
Current year receipts	882 452	882 994
Expenditure claimed in accordance with grant conditions	(882 452)	(882 994)
Conditions still to be met-transferred to liabilities (see note 5)	<u>-</u>	<u>-</u>
This grant represents funding received from the Department of Health for the operation of the local clinic. No funds were withheld.		

MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2012 R	2011 R
16. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and wages	12 168 992	11 316 030
Employee related costs - Allowance	110 550	140 496
Employee related costs - Pension contributions	1 010 185	942 764
Employee related costs - Medical aid	531 711	440 479
Employee related costs - UIF	92 801	86 537
Employee related costs - Performance bonuses	258 535	238 325
Employee related costs - Retirement benefits	608 127	750 929
	14 780 901	13 915 560
less: transferred to discontinued operations	835 475	931 196
	13 945 426	12 984 364
Included in the employee related costs are the following:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	614 338	580 852
Car Allowance	80 040	80 040
Performance Bonus	92 525	85 291
Total	786 903	746 183
<i>Remuneration of the Chief Finance Officer</i>		
Annual Remuneration	520 933	490 893
Car Allowance	102 000	102 000
Performance Bonus	83 005	76 517
Total	705 938	669 410
<i>Remuneration of the Director of Corporate and Community Services</i>		
Annual Remuneration	526 933	496 893
Car Allowance	96 000	96 000
Performance Bonus	83 005	76 517
Total	705 938	669 410
17. REMUNERATION OF COUNCILLORS		
Mayor	218 319	207 805
Deputy Mayor	177 797	154 719
Exco Committee Member	154 360	158 563
Speaker	177 801	168 337
Councillors	903 982	741 989
Councillors' pension contributions, medical aid and allowances	918 560	914 637
Total Councillors' Remuneration	2 550 819	2 346 050

In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Committee Members are part-time. They are provided with an office and secretarial support at the cost of the council

**MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

		2012 R	2011 R
18.	BULK PURCHASES		
	Electricity	<u>11 944 444</u>	<u>8 863 079</u>
19.	GENERAL EXPENSES		
	Included in general expenses is the following: -		
	Administration charges	-	600 000
	Audit fees	676 769	522 830
	Conference & travelling	349 482	216 273
	Finance Management Grant	1 331 615	1 730 577
	Insurance	260 682	180 723
	MAP - Provincial Management Assistance Programme	50 979	178 859
	Municipal development infrastructure grant	244 832	39 749
	Municipal systems improvement grant	830 232	1 229 905
	Postage & Telephone	581 907	504 420
	Rural Metro	1 187 970	740 160
	Sport & recreation grant	272 464	198 163
	Security	754 845	-
	TMT: traffic fine management	834 705	-
	Ward projects	(378 342)	(930 821)
	Other general expenses	4 365 135	4 270 209
		<u>11 363 275</u>	<u>9 481 047</u>
	less: Transferred to discontinued operations	117 379	103 919
		<u>11 245 896</u>	<u>9 377 128</u>
20.	OTHER INCOME		
	Included in other income is the following: -		
	Administration charges	-	600 000
	Library fines	1 469	2 348
	Land Sales	892 982	-
	Sundry income	162 535	186 068
		<u>1 056 986</u>	<u>788 416</u>
21.	FRUITLESS AND WASTEFUL EXPENDITURE	<u>-</u>	<u>-</u>
22.	IRREGULAR EXPENDITURE	<u>-</u>	<u>-</u>
23.	UNAUTHORISED EXPENDITURE		
	Operating Expenses		
	Bulk Purchases	144 444	243 079
	Contributions to Provisions	1 056 450	106 731
	Bad Debts	-	294 940
	Contracted services	36 694	-
	Depreciation	-	445 820
	Employee related costs	-	53 560
		<u>1,237,588</u>	<u>1,144,130</u>
	Refer to Appendix D1 for further details		

**MTHONJANENI MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2012**

**2012
R**

**2011
R**

Council authority for unauthorised expenditure for bulk purchases was obtained on 2 August 2012. The 2011 overexpenditure was approved by Council on 6 September 2011.

**MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
24. CASH GENERATED FROM OPERATIONS		
Surplus for the year	34 997 000	20 420 554
Adjustment for : Non Cash Movements		
Prior year's sundry adjustment	-	-
Depreciation : Property, Plant and equipment	2 553 362	2 954 396
Contribution to retirement benefit obligation	559 184	643 929
Contribution to long service awards liability	48 943	107 000
Property, Plant & Equipment disposals	(892 982)	119 517
Investment income	(2 762 931)	(2 340 828)
Operating surplus before working capital changes:	34 502 576	21 904 568
(Increase) / Decrease in inventories	22 671	49 539
(Increase) / (Decrease in consumer debtors	(270 833)	1 790 677
Decrease / (Increase) in other debtors	(372 830)	(1 068 170)
Increase / (Decrease) in conditional grants and receipts	10 582 227	(8 201 772)
Increase / (Decrease) in long term liabilities	(60 337)	-
Increase / (Decrease) in creditors	891 613	(1 732 838)
Increase / (Decrease) in provisions	904 379	413 340
Cash generated from operations	<u>46 199 466</u>	<u>13 155 344</u>
25. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	16 062 924	4 670 148
Call investment deposits	45 040 000	30 040 000
Total cash and cash equivalents at the end of the year	<u>61 102 924</u>	<u>34 710 148</u>
The municipality does not have overdraft facilities.		
26. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>26.1 Contributions to organised local government</u>		
Opening balance	-	-
Council subscriptions	30 882	25 613
Amount paid - current year	(30 882)	(25 613)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>26.2 Audit fees</u>		
Opening balance	-	-
Current year audit fee	676 769	522 830
Amount paid - current year	(676 769)	(522 830)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>26.3 VAT</u>		
VAT received for the year	<u>3 744 638</u>	<u>3 371 307</u>

MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
VAT paid for the year	-	-

VAT inputs receivable and VAT outputs payable are shown in note 6. All VAT returns have been submitted by the due date throughout the year.

26.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	2 306 720	2 119 607
Amount paid - current year	(2 306 720)	(2 119 607)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

26.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council	2 859 002	2 539 313
Amount paid - current year	(2 859 002)	(2 539 313)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

**MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
26.6 Councillor's arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days as at: 30 JUNE 2012		
Outstanding more than 90 days		
Speaker: Councillor Mrs. Jiyane	13 380	15 347
Mayor: Councillor Mrs. Ndlangamandla	4 437	-
Councillor Khuzwayo	123	-
Councillor Masikane	137	-
Total Councillor Arrear Consumer Accounts	18 077	15 347
26.7 Electricity Distribution losses		
Units lost (kilowatts)	1 835 127	1 964 085
Units lost (sales price per kilowatts - rands)	1 788 282	1 611 184
Units lost (purchase price per kilowatts - rands)	608 379	513 148
Units lost (percentage)	10.55%	12.30%
Although units per kilowatts were lost in distribution, the electricity service experienced a surplus as follows :	1 524 845	2 159 664
27. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for:	20 400 000	3 049 000
Infrastructure	12 600 000	1 179 000
Community	7 800 000	1 870 000
- Approved but not yet contracted for:	48 035 000	31 998 000
Infrastructure	42 055 000	19 969 000
Community	3 000 000	11 492 000
Other	2 980 000	537 000
Total	68 435 000	35 047 000
This expenditure will be financed as follows:		
Grant funded	45 455 000	31 310 000
Council funded	7 980 000	3 737 000
External Loans	15 000 000	-
Funding still to be sourced	-	-
	68 435 000	35 047 000
28. CONTINGENT LIABILITIES		
No contingent liabilities were identified for year ended 30 June 2012 or for the year ended 30 June 2011		
29. CONTINGENT ASSETS		
No contingent assets were identified for the year ended 30 June 2012 or for the year ended 30 June 2011		

2012	2011
R	R

**MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
30. EVENTS AFTER THE REPORTING DATE		
The transfer of clinic services from the Municipality and the Kwa-Zulu Natal Department of Health took effect from 1 August 2012.		
31. COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures D(1) and D(2).		
The surplus for the year was less than the budget surplus by R 25 601 350.		
32. RELATED PARTIES		
The municipality did not have any related parties, or related party transactions for the years ended 30 June 2012 and 30 June 2011		
33. OPERATING LEASES		
The future minimum lease payments payable under operating leases for the actual liability are as follows:		
No later than 1 year	11 058	11 058
Later than 1 year and no later than 5 years	2 877	13 905
Later than 5 years	1 512	1 542
	<u>15 447</u>	<u>26 505</u>
The future minimum lease payments receivable under operating leases for the actual receivables are as follows:		
No later than 1 year	233 751	24 401
Later than 1 year and no later than 5 years	-	-
Later than 5 years	-	-
	<u>233 751</u>	<u>24 401</u>
Operating lease payments payable relate to the hiring of vacant land, buildings, advertising space and housing.		
Operating lease payments receivable relate to rentals for the commonage, vacant land, buildings, advertising space and housing.		
34. FINANCIAL INSTRUMENTS		
Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the municipality's operations.		
<u>Financial Risk Management</u>		
The Municipality has exposure to the following risks from its use of financial instruments		
- Liquidity risk		
- Interest rate risk		
- Credit risk		
This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risks		
Further qualitative disclosures have been included in these financial statements.		
The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities.		
The Municipality, through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations		

**MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
Categories of Financial Instruments		
Financial Assets :		
Investments and receivables		
Investments	45 040 000	30 040 000
Cash and cash equivalents	16 062 924	4 670 148
Consumer debtors	1 572 295	1 301 462
Other debtors	4 331 577	4 190 386
Financial Liabilities		
Liabilities and creditors		
Creditors	2 553 834	1 708 626

All of the above financial instruments represent assets and liabilities that are to be realised within the next 6 months and as such the carrying amount equates to the fair value.

**MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

**2012
R**

**2011
R**

Liquidity Risk

Liquidity risk is the risk that the municipality will encounter in raising funds to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and monitored. The following are the contractual maturities of financial liabilities

	Carrying Amount	Contractual cash flows (12 months or less)
30 June 2012		
Creditors	2 553 834	2 553 834
30 June 2011		
Creditors	1 708 626	1 708 626

Interest rate risk

The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus for the year. The municipality currently does not have any long-term debt exposure.

The municipality's income and operating cash are substantially independent of changes in market rates. The municipality holds interest bearing assets with various financial institutions.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. The municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur rates, electricity and refuse debts.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures :

- through the application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- a new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA

Consumer and other debtors are individually evaluated annually at balance sheet date for impairment or discounting.

The maximum credit and interest risk exposure in respect of the relevant financial instrument is as follows :

Financial Instrument

Consumer debtors	1 572 295	1 301 462
Other debtors	4 331 577	4 190 386
Cash and cash equivalents	16 062 924	4 670 148

The ageing of trade receivables at the reporting date was as follows :

Consumer Debtors

Gross		
0-30 days	1 232 054	969 719
31-120 days	599 204	777 838
More than 120 days	2 698 344	4 163 423
Less : Provision for bad debts	(678 227)	(2 208 520)
Net consumer debtors	<u>3 851 375</u>	<u>3 702 460</u>

Movement in the provision for doubtful debts

Balance at the beginning of the year	2 208 520	413 580
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MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Contribution	(1 530 293)	1 794 940
Bad debts written off	-	-
Balance at the end of the year	<u>678 227</u>	<u>2 208 520</u>
Movement in the provision for leave		
Balance at the beginning of the year	413 340	270 964
Contribution	124 530	236 731
Benefit payments	(152 071)	(94 355)
Balance at the end of the year	<u>385 799</u>	<u>413 340</u>
Movement in the provision for landfill site rehabilitation		
Balance at the beginning of the year	-	-
Contribution	931 920	-
Balance at the end of the year	<u>931 920</u>	<u>-</u>

**MTHONJANENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
35 RECONCILIATION OF BUDGET SURPLUS/DEFICIT IN THE STATEMENT OF FINANCIAL PERFORMANCE		
Net surplus/deficit per the statement of financial performance	34 997 000	20 420 554
Adjusted for:		
Service charges	307 169	(364 170)
Government grant and subsidies	30 710 587	5 927 720
Interest earned - external investments	(862 931)	(440 828)
Property rates including penalties imposed	(550 659)	(440 414)
Rental of facilities and equipment	(100 265)	(62 960)
Fines	(781 532)	(8 690)
Licences and permits	(45 694)	(522 305)
Balance of revenue	2 539 014	(56 816)
Employee related costs	(2 172 574)	(877 636)
Remuneration of councillors	(16 181)	(143 950)
Bad debts	(3 030 293)	294 940
Collection costs	(9 101)	(26 653)
Depreciation	(746 638)	370 356
Repairs and maintenance	(640 036)	(610 219)
Bulk purchases	144 444	243 079
Contracted services	36 694	(119 946)
Contributions to provisions	1 056 450	106 731
Capitilization of PPE	(64 500 500)	(25 773 000)
Balance of expenditure	(237 104)	(2 642 773)
Discontinued operations	73 150	156 519
Net (deficit) / surplus per approved budget	(3 829 000)	(4 570 461)

36. ANALYSIS OF THE RESULT OF DISCONTINUED OPERATIONS

Clinic Services

Income: Government Grants and subsidies	882,452	882,994
Expenditure: Employee related costs	(835,475)	(931,196)
Repairs and maintenance	(2,748)	(4,398)
General expenses	(117,379)	(103,919)

Net (deficit) / surplus from discontinued operations	(73 150)	(156 519)
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Non current Assets

Property, Plant and Equipment	52,123	-
Other Debtors	231,639	-
Intangible Assets	2,402	-
	286 164	-

Non current liabilities

Retirement Benefits	26,031	-
Trade creditors: Leave and Pro rata bonus clinic staff	46,405	-
	72,436	-

In addition to note 2.3 the total assets,liabilities and responsibilities has been transferred to the Kwa-Zulu Natal Department of Health.

37. SUPPLY CHAIN MANAGEMENT DEVIATIONS

Quarterly reports made to the Mayor for the period 1 October 2010 to 30 June 2012 are available on request.

MTTHONJANI MUNICIPALITY
APPENDIX A : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2012

	Cost / Revaluation				Transfer to Non				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Newly identified assets	Disposals	Transfers	Current Assets held for sale	Closing Balance	Opening Balance	Additions	Disposals	Transfers	Current Assets held for sale	
	R	R		R	R		R	R	R	R	R		R
LAND													
LAND	3 574 272	64 943	-	(1 300 000)	-	-	2 339 215	-	-	-	-	-	2 339 215
	<u>3 574 272</u>	<u>64 943</u>	<u>-</u>	<u>(1 300 000)</u>	<u>-</u>	<u>-</u>	<u>2 339 215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 339 215</u>
BUILDINGS													
DWELLINGS	869 460	-	-	-	-	-	869 460	(58 871)	(29 185)	-	-	-	781 404
NON RESIDENTIAL DWELLINGS	21 685 860	-	-	-	3 358 182	-	25 044 042	(4 980 070)	(834 152)	-	-	-	19 229 820
	<u>22 555 320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3 358 182</u>	<u>-</u>	<u>25 913 502</u>	<u>(5 038 941)</u>	<u>(863 337)</u>	<u>-</u>	<u>-</u>	<u>(5 902 278)</u>	<u>20 011 224</u>
INFRASTRUCTURE													
CEMETERIES	945 750	-	-	-	-	-	945 750	(303 262)	(59 373)	-	-	-	583 115
ELECTRICITY	7 811 645	553 866	-	-	-	-	8 365 511	(3 075 129)	(189 903)	-	-	-	5 100 479
ROADS AND STORMWATER	11 842 166	-	-	-	6 802 734	-	18 644 920	(610 431)	(481 524)	-	-	-	17 552 965
SOLID WASTE DISPOSAL	143 630	-	-	-	-	-	143 630	(22 881)	(2 872)	-	-	-	117 777
WATER	84 232	-	-	-	-	-	84 232	(4 750)	(1 685)	-	-	-	77 787
	<u>20 827 443</u>	<u>553 866</u>	<u>-</u>	<u>-</u>	<u>6 802 734</u>	<u>-</u>	<u>28 184 043</u>	<u>(4 016 553)</u>	<u>(735 357)</u>	<u>-</u>	<u>-</u>	<u>(4 751 910)</u>	<u>23 432 133</u>
BIOLOGICAL OR CULTIVATED ASSETS													
BIOLOGICAL OR CULTIVATED ASSETS	5 136 310	-	-	-	-	-	5 136 310	-	-	-	-	-	5 136 310
	<u>5 136 310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5 136 310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5 136 310</u>
HERITAGE ASSETS													
HERITAGE ASSETS	589	-	-	-	-	-	589	-	-	-	-	-	589
	<u>589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>589</u>
OTHER													
COMPUTER EQUIPMENT	588 166	258 142	-	-	-	(9 160)	837 148	(314 687)	(103 451)	-	-	6 352	425 362
FURNITURE AND EQUIPMENT	1 581 964	80 321	-	-	-	(73 134)	1 589 151	(752 038)	(208 529)	-	-	51 277	669 881
MACHINERY AND EQUIPMENT	3 418 003	579 775	-	-	53 314	(83 575)	3 967 517	(2 372 913)	(284 251)	-	-	56 117	1 366 470
TRANSPORT ASSETS	3 326 962	398 071	-	-	-	-	3 725 033	(1 964 454)	(309 889)	-	-	-	1 460 590
	<u>8 915 095</u>	<u>1 316 309</u>	<u>-</u>	<u>-</u>	<u>53 314</u>	<u>(165 869)</u>	<u>10 118 849</u>	<u>(5 404 092)</u>	<u>(908 220)</u>	<u>-</u>	<u>-</u>	<u>113 746</u>	<u>3 922 283</u>
ASSETS UNDER CONSTRUCTION													
ASSETS UNDER CONSTRUCTION	26 754 530	23 111 782	-	-	(10 214 230)	-	39 652 082	-	-	-	-	-	39 652 082
	<u>26 754 530</u>	<u>23 111 782</u>	<u>-</u>	<u>-</u>	<u>(10 214 230)</u>	<u>-</u>	<u>39 652 082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39 652 082</u>
TOTAL	87 763 559	25 046 900	-	(1 300 000)	-	(165 869)	111 344 590	(14 459 566)	(2 504 914)	-	-	113 746	94 493 836

MTSHONJANENI MUNICIPALITY
APPENDIX B : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2012

	Cost / Revaluation					Accumulated Depreciation					Carrying Value		
	Opening Balance	Additions	New assets Identified	Disposals	Transfers	Transfer to Non		Disposals	Transfers	Transfer to Non			
						Current Assets held for sale	Current Assets held for sale						
	R	R	R	R	R	R	R	R	R	R	R	R	
CORPORATE SERVICES	1 932 186	29 645			-	-	1 961 831		147 323		-	1 111 841	849 990
FINANCE AND ADMIN	725 525	161 727			-	-	887 252		74 728		-	434 056	453 196
TECHNICAL SERVICES	26 861 334	9 648 593			-	-	36 509 927		771 370		-	4 268 623	32 241 304
EXECUTIVE AND COUNCIL	21 957 027	166 855		(1 300 000)	709 670	-	21 533 552		547 699	350 288	-	3 220 801	18 312 751
MAYOR	16 368	12 844			-	-	29 212		3 605		-	12 749	16 463
MUNICIPAL MANAGER	32 488				-	-	32 488		5 034		-	22 725	9 763
LIBRARY	148 643	3 071			-	-	151 714		20 645		-	133 845	17 869
PUBLIC HEALTH	822 225				(656 356)	(165 869)	-		18 043	(350 288)	(113 746)	-	-
PUBLIC SAFETY	5 122 746	98 553			-	-	5 221 299		236 251		-	1 876 255	3 345 044
ELECTRICITY	21 786 856	2 503 097			-	-	24 289 953		282 462		-	4 104 552	20 185 401
COMMUNITY & SOCIAL SERVICES	5 686 616	12 130 122			(53 314)	-	17 763 424		178 632		-	694 048	17 069 376
SPORT AND RECREATION	1 826 578				-	-	1 826 578		59 275		-	615 394	1 211 184
TOWN ESTATES	844 967	292 393			-	-	1 137 360		159 847		-	355 865	781 495
	87 763 559	25 046 900	-	(1 300 000)	-	(165 869)	111 344 590		2 504 914		-	16 850 754	94 493 836

MTHONJANENI MUNICIPALITY
APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	2011 Actual Revenue R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Revenue R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
	10 009 724	4 314 423	5 695 301	Assessment Rates	9 226 179	3 120 200	6 105 979
	2 000 000	3 577 106	(1 577 106)	Executive and Council	2 000 000	4 738 779	(2 738 779)
	16 172 887	9 439 579	6 733 308	Financial Services	30 037 311	5 302 904	24 734 407
	882 994	1 039 513	(156 519)	Public Health	882 452	955 602	(73 150)
	5 701 332	11 467 082	(5 765 750)	Community and Social Services	6 975 154	12 717 764	(5 742 610)
	2 605 995	2 770 298	(164 303)	Protection Services	4 355 226	4 114 941	240 285
	9 630 049	541 445	9 088 604	Roads & Sidewalks	13 376 560	641 684	12 734 876
	1 477 426	1 159 676	317 750	Refuse Removal	1 443 543	2 334 963	(891 420)
	11 185 081	11 333 528	(148 447)	Electricity: Tariff Revenue	13 481 175	14 473 126	(991 951)
	6 356 292		6 356 292	Electricity: Capital Grant Revenue	1 619 363		1 619 363
	66 021 780	45 642 650	20 379 130	Sub Total	83 396 963	48 399 963	34 997 000
	882 994	1 039 513	(156 519)	Less: Discontinued Operations	882 452	955 602	(73 150)
	600 000	600 000	-	Inter-Departmental Charges	-	-	-
	65 738 786	45 203 137	20 535 649	Total	82 514 511	47 444 361	35 070 150

MTHONJANENI MUNICIPALITY
APPENDIX D (1) : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

CONTINUED OPERATIONS							
REVENUE							
Property rates	6 105 979	5 800 000	305 979	5.28%			
Property rates- penalties imposed and collection charges	544 680	300 000	244 680	81.56%	PSI debtors		
Service charges	14 412 831	14 720 000	(307 169)	-2.09%			
Rental of facilities and equipment	457 265	357 000	100 265	28.09%	Department of Agriculture arrear rental recognised.		
Interest earned- external investments	2 762 931	1 900 000	862 931	45.42%	Investments fixed at longer terms thus higher interest.		
Fines	1 581 532	800 000	781 532	97.69%	Introduction of TMT Services in October 2011 with regard to traffic fine system.		
Licences and permits	2 773 694	2 728 000	45 694	1.68%			
Government grants and subsidies	49 698 413	80 409 000	(30 710 587)	-38.19%	Unspent grants R 14 849 618; Small Town Rehabilitation R 12 600 000 not received; Sondela Stalls R 1 800 000 not received.		
Bad debts	1 530 293	-	1 530 293	0.00%	Provision of PSI debtors withdrawn.		
Other income	1 056 986	3 596 000	(2 539 014)	-70.61%	Includes disposal of land R 1 300 000.		
Total Revenue	80 924 604	110 610 000	(29 685 396)	-26.84%			
EXPENDITURE							
Employee related costs	(13 945 426)	(16 118 000)	2 172 574	-13.48%	Budgetted posts not filled.		
Remuneration of councillors	(2 550 819)	(2 567 000)	16 181	-0.63%			
Bad debts	-	(1 500 000)	1 500 000	-100.00%	Provision of PSI debtors withdrawn.		
Collection costs	(50 899)	(60 000)	9 101	-15.17%	Budget was more than expected.		
Depreciation	(2 553 362)	(3 300 000)	746 638	-22.63%	Uncompleted assets still under construction.		
Repairs & maintenance	(1 741 464)	(2 381 500)	640 036	-26.88%	Lower than expected damages and general repairs hence underspending on repairs and maintenance		
Bulk purchases	(11 944 444)	(11 800 000)	(144 444)	1.22%			
Contracted services	(765 694)	(729 000)	(36 694)	5.03%			
General expenses	(11 245 896)	(11 483 000)	237 104	-2.06%			
Contributions to provisions	(1 056 450)	-	(1 056 450)	0.00%	Not all leave taken by staff members during the current year resulting in the liability building up. New provision for landfill site rehabilitation.		
Total Expenditure	(45 854 454)	(49 938 500)	4 084 046	-8.18%			
NET (DEFICIT) / SURPLUS FOR THE YEAR	35 070 150	60 671 500	(25 601 350)	-42.20%			
DISCONTINUED OPERATIONS: DEFICIT FOR YEAR							
NET (DEFICIT) / SURPLUS FOR THE YEAR	(73 150)	-	-	0.00%			
NET (DEFICIT) / SURPLUS FOR THE YEAR	34 997 000	60 671 500	(25 601 350)	-42.20%			

MTHONJANENI MUNICIPALITY
APPENDIX D (2): ACTUAL VERSUS BUDGET: ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Under Construction R	2012 Total Additions R	2012 Budget R	2012 Variance R	2012 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Land & Buildings - ward projects	64 943	5 601 868	5 666 811	19 066 000	13 399 189	70%	R 4 mill market stalls grant unspent and R 1.8 mill not paid by CoGTA. R 2 mill unspent ward projects end June 2012. R 4.8 mill not spent on sportsfield. Delays in CoGTA approvals and delivery of refuse truck and skips
Roads	-	16 148 305	16 148 305	30 497 000	14 348 695	47%	R 12.6 mill Small Town rehabilitation grant not paid by CoGTA.
Electricity	553 866	1 361 609	1 915 475	13 290 000	11 374 525	86%	R 10.7 mill of electricity projects still to be spent. Delays encountered from SCM procedures and Eskom approvals.
Vehicles	398 071	-	398 071	700 000	301 929	43%	Two of the three budgetted for were purchased. Specification of council vehicle changed.
Equipment & Furniture	942 820	-	942 820	947 500	4 680	0.49%	
	1 959 700	23 111 782	25 071 482	64 500 500	39 429 018	61%	

The appendix includes additions figures for property, plant and equipment (note 7)

MT HONJANENI MUNICIPALITY

DESCRIPTION OF GRANTS AND

Unspent grants at 30 June 2012 - Note 5